

STATE PROPERTIES COMMITTEE MEETING

TUESDAY, OCTOBER 27, 2009

The meeting of the State Properties Committee was called to order at 10:07 a.m. by Chairman Kevin M. Flynn. Other members present were Robert Griffith representing the Rhode Island Department of Administration; Richard Woolley representing the Rhode Island Department of Attorney General; John A. Pagliarini, Jr., and Robert W. Kay, Public Members; and Xaykham Khamsyvoravong representing the Rhode Island Office of the General Treasurer, Ex-officio Member. Others in attendance were Anthony Paolantonio from the Rhode Island House of Representatives; Meredith Pickering from the Rhode Island Senate Fiscal Office; John Ryan and Karen Scott from the Rhode Island Department of Administration; J. Vernon Wyman from the University of Rhode Island/Board of Governors for Higher Education; William McCarthy, Steve Drager and David Coppotelli from the Rhode Island Department of Transportation; Director Craig S. Stenning and Paul Grenon from the Department of Mental Health Retardation and Hospitals; Robert Marcella and Christine Gadbois from the Homestead Group.

Chairman Flynn noted for the record that the State Properties Committee did have a quorum present.

ITEM A – Department of Administration – A request was made for approval of and signatures on a Purchase and Sale Contract by and between P.J.C. Realty Company, LLC and the State of Rhode Island, acting through the Department of Administration, for the acquisition

of property located at 50 Service Avenue in the City of Warwick. Item A is deferred to a future meeting of the State Properties Committee at the request of the Department of Administration.

ITEM B– Department of Transportation – A request for permission to submit and discuss the Redevelopment and Marketing Analysis Plan-Route I-195 Surplus Parcels to the State Properties Committee. Item B is deferred to a future meeting of the State properties Committee at the request of the Department of Administration.

ITEM C – Department of Mental Health, Retardation and Hospitals – A request for approval to transfer ownership of the property located at 504 Gaskill Street in the City of Woonsocket to the Homestead Group/Seven Hills Foundation. This item is deferred until a later time during this meeting of the State Properties Committee at the request of the Department of Administration.

ITEM D – Department of Administration – A request for approval of and signatures on a Grant of Easement by and between the Department of Administration, on behalf of the Rhode Island School for the Deaf, and National Grid for the installation of electrical service at One Corliss Park in the City of Providence. This item is deferred to a later time during this meeting of the State Properties Committee at the request of the Department of Administration.

ITEM E – Board of Governors for Higher Education/ The University of Rhode Island – A request was made for approval of and signatures on a Land Exchange Agreement by and between the South County Habitat for Humanity and The University of Rhode Island relative to two (2) parcels of land located at 130 Old North Road and at 480 Old

North Road in the Town of Kingston. Mr. Wyman explained that when this request was before the Committee in 2008, the Board of Governors for Higher Education/ University of Rhode Island had in its possession appraisals, which supported the equitable exchange of the two subject parcels of land, which consist of a nine (9) acre parcel of undeveloped land, removed from municipal utility services and owned by Habitat for Humanity, and a 1.4 acre parcel of land owned by the University of Rhode Island located in the heart of the village. Mr. Wyman explained that at said meeting, the Committee challenged both the methodology utilized to determine the value of each of the parcels as well as the actual valuations. Mr. Wyman indicated that at that time, he withdrew the University's request with a commitment to have the properties re-appraised. The University of Rhode Island commissioned said appraisals and after sharing the appraisal reports with Habitat for Humanity, they elected to commission appraisals of their own. Subsequently, both parties reviewed the appraisals and neither party agreed with the values established by the other's appraiser. The University's appraisal was conducted in December of 2008; Habitat for Humanity's appraisal was completed in March of 2009. Mr. Wyman stated that in late August, the parties reached a mutually acceptable agreement wherein the University's parcel was determined to be worth \$7,500 more than the Habitat for Humanity's parcel of land. As said value was amenable to both parties, each conducted its own due diligence in preparation of returning to the Board of Governors and the State Properties Committee. At this time, the parties are prepared to proceed forward with this transaction.

The proposed exchange of properties will allow Habitat for Humanity to take of advantage of the start of the federal grant season in order to pursue the development of this parcel and make the necessary presentations to the Town. The University's parcel represents some open space and a few additional acres of land for possible residential development in the future. A motion was made to approve by Mr. Pagliarini and seconded by Mr. Kay.

Passed Unanimously

ITEM F – Department of Transportation –A request was made for conceptual approval to dispose of excess land located in the City of Warwick, which was initially acquired for the Rhode Island Freight Rail Improvement Project, to the National Rail Passenger Corporation (“Amtrak”). Mr. McCarthy stated that the submission memorandum reflects that the subject properties are located in the City of Warwick; however, said properties actually extend well beyond the City Warwick. Mr. McCarthy stated that today's presentation involves the transfer of twenty-one (21) parcels of land and forty (40) easements from the Department of Transportation (the “DOT”) to Amtrak, which extend from just south of Central Falls to Quonset. By way of background, Mr. McCarthy stated that in 2002, with the approval of the State Properties Committee, the DOT acquired twenty-one (21) parcels of land and forty (40) easements for improvements to the northeast corridor, which would maximize the development of transportation facilities at Quonset; therefore, the DOT entered into an Agreement with Amtrak. Mr. McCarthy explained that the freight rail line had physical and operational restrictions associated with a

portion of the northeast corridor from Central Falls to Quonset. Said restrictions prohibited the use of modern freight equipment. In order to remedy the prohibited use of modern freight equipment, the DOT acquired the properties and easements, which consist of drainage installations, retaining walls and sloping. Mr. McCarthy presented a map of the northeast corridor, which identified the various areas of the improvement project that the DOT is presently involved. In 2004, the Department entered into another Agreement with Amtrak, whereby, the Department would become involved in the project to improve the northeast corridor owned by Amtrak. Mr. McCarthy reiterated that said improvements would maximize the line's potential in the Quonset area and accommodate the modern freight equipment.

Mr. McCarthy noted the easements acquired are hundreds of feet long, but only one foot in width. The 2004 Agreement stated that the DOT agreed to make the necessary improvements; however, at the completion of the project, it would transfer, at no charge to Amtrak, the parcels of land acquired by DOT. Mr. McCarthy stated that the reason for this arrangement, which is endorsed by the federal government, is to relieve the DOT from the burden and responsibility of maintaining the retaining walls, the sloping areas and the drainage installations. Therefore, with the approval of the Committee, the DOT will pass said costs on to Amtrak. Mr. McCarthy noted that at this time, the DOT is seeking conceptual approval only, and that hopefully it will return to the Committee for final approval and execution of documents in the near future. Chairman Flynn questioned the decision to transfer DOT's interest in said parcels to Amtrak at no

charge as it has never been the practice of Amtrak to transfer its interest in any property to the State without being adequately compensated. Chairman Flynn asked why the Department believes the gratis transfer of land to Amtrak is in the best interest of the State of Rhode Island. Mr. Drager explained that the Department's primary reason for transferring the land gratis is the costs associated with said land. Mr. Drager indicated that if the Department were to retain ownership of the property, there would be significant expenditures involved. The cost of maintaining the land in terms of erosion control for the sloping, drainage installation repairs and/or necessary adjustments to the retaining walls would be substantial. There are also significant permitting requirements necessary to access said land once the project is completed. From that perspective, the State of Rhode Island would incur considerable costs if it were responsible for the repair and maintenance of said land. Therefore, the Department determined it would be more prudent and cost efficient to transfer the properties along the corridor to Amtrak rather than retain ownership of the same. Chairman Flynn asked whether the 2004 Agreement mandated that in the event of transfer of the land, said transfer would be done gratis. Mr. Drager stated the Agreement did in fact mandate a gratis transfer of the land. Mr. Kay asked whether this project is federally funded. Mr. Drager stated that the funding for the project was divided into two (2) parts. Mr. Drager noted that fifty (50%) percent of the funding came from bonds that the State passed back in 2002, and the remaining fifty (50%) percent was funded by the Federal Highway Administration. Mr. Woolley asked how much

money the State originally expended to acquire the land it is now transferring to Amtrak. Mr. Drager stated that in comparison to the \$200,000,000 worth of improvements being completed, the original cost to the State was insignificant. Mr. Woolley asked if there were acquisitions of fee titles as well as easements. Mr. Drager indicated that the acquisition of the forty (40) easements and twenty-one (21) parcels of land was approved by this Committee in 2002. Mr. Woolley reminded the Department that although it is requesting conceptual approval at this time, it will have to deal with former owners' rights of first refusal in the future. Mr. Drager explained that as the land was acquired for transportation purposes, it will have to continue to be utilized for transportation purposes in the future. Additionally, the Department will offer the properties back to the former owners under the same terms and conditions it is being offered to Amtrak; however, it must be utilized for freight rail use for the northeast corridor and must be maintained by the grantee in any transfer. Therefore, the former owners would be taking on the responsibility of maintaining said parcels of land in accordance with the Rhode Island General Laws. Mr. Woolley asked if there is any reason why a former owner may find it beneficial to assume said responsibilities. Mr. Drager noted that he cannot imagine any benefit to a former owner. To the contrary, a former owner would quickly learn that it will be extremely expensive and that myriad permitting requirements must be met prior to doing any work in the vicinity of Amtrak property. They would also be required to obtain Amtrak's permission prior to initiating any work and would be responsible to pay the support costs that Amtrak would

normally provide in the form of flaggers and qualified workers to handle the overhead wires and things of that nature. Therefore, the Department believes the former owners will agree that it will be in their best interest to allow Amtrak to acquire the property, but of course, in accordance with statutory requirements, the Department will certainly provide proper notice to all former owners. Mr. Woolley asked whether the former owners have already been compensated for the land. Mr. Drager stated that the former owners were compensated during the acquisition phase. Mr. Woolley asked what sort of things are along the abutting properties. Mr. Drager indicated that there are a variety of things abutting the property, for example the corridor runs through Jefferson Boulevard and by the new construction for the Warwick Intermodal Train Station. There are some commercial and residential properties, but most are industrial properties. Mr. Woolley clarified that the land in question is only a foot or so wide. Mr. Drager indicated that all of the parcels are very narrow and rather insignificant. Chairman Flynn noted that Mr. McCarthy, in his opening comments, stated that the manner in which this item is posted on the agenda is somewhat inaccurate and/or misleading. The submission memorandum's subject line addresses the disposition of property located in Warwick; however, the body of the memorandum reflects the actual municipalities wherein the subject properties are located. Chairman Flynn deferred to Mr. Woolley as to whether this presents a problem in terms of the item not technically being noticed properly. Mr. Woolley stated that it may in fact present a problem as the properties encompass municipalities from Central

Falls to Quonset, which involves far more than just the interests of the City of Warwick. Chairman Flynn suggested that when the Department returns for final approval that its submission memorandum be much more specific in terms of naming all the municipalities involved in this transaction. Mr. Woolley recommended that no action be taken by the Committee with regard to this matter at this time. Mr. Woolley further suggested that the Department return to the Committee for conceptual approval at the next scheduled meeting and the submission memorandum for conceptual approval specifically list all the municipalities with an interest in said transaction. A motion was made to table this matter to a future meeting of the State Properties Committee by Mr. Woolley and seconded by Mr. Griffith.

Passed Unanimously

ITEM G – Department of Transportation – A request was made for approval of and signatures on a License Agreement by and between the Department of Transportation and Baxter's Fine Jewelry for use of approximately 200 square feet of land located at 200 Jefferson Boulevard in the City of Warwick. Mr. Coppotelli explained that Baxter's Fine Jewelry approached the Department regarding entering into a five (5) year License Agreement for purposes of erecting a business sign. The property consists of 200 square feet and Baxter's Fine Jewelry will pay the standard annual fee of \$600. A motion to approve was made by Mr. Pagliarini and seconded by Mr. Kay.

Passed Unanimously

ITEM C – Department of Mental Health, Retardation and Hospitals – A

request was made for approval to transfer ownership of the property located at 504 Gaskill Street in the City of Woonsocket to the Homestead Group/Seven Hills Foundation. Director Stenning indicated that the subject property has been a concern of the State of Rhode Island (the "State") and Department of Mental Health, Retardation and Hospitals (the "Department") for several years now. The Gaskill Street property is a former group home for individuals with developmental disabilities. The property was sold to the State because at the time, the former owners did not have the funds to bring this building into compliance with the current fire code. Said property has been vacant for five (5) years. The Department has previously appeared before the State Properties Committee in an effort to obtain approval to dispose of the property. The Department also attempted to dispose of the property via a public auction. Director Stenning explained that unfortunately, during the time the property was vacant, the water pipes burst causing extensive damage to such a degree that the structure is not inhabitable due to the existence of mold and asbestos as well as tremendous damage to the structure itself. Director Stenning indicated that the Department has tirelessly sought a suitable use for this property through renovations and even considered leveling the structure in order to sell the land; however; the cost to execute these proposed remedies exceeds the value of the property. The property has been boarded up and secured in an effort to deter children from entering and/or the homeless from seeking shelter within the structure and being seriously injured, which would expose the State to tremendous

liability. Director Stenning stated that the subject property is located in a rather attractive neighborhood and both the City and the residents have expressed their concerns. Director Stenning stated that the Homestead Group ("Homestead") has approached the Department with a proposal to utilize the subject property, not as a group home, but as supportive housing for individuals with disabilities. Director Stenning stated that said proposal fits the vision that the Department has been working toward for the past year or so to eliminate the group home model, which over the years has proven to be both expensive and less effective than providing supportive housing for individuals with disabilities. Mr. Grenon explained that Homestead's proposal is to dismantle the existing building down to its skeleton structure and subsequently complete extensive renovations, which will ensure the building is safe to potentially provide suitable living arrangements for six (6) disabled individuals. Mr. Pagliarini noted that the Director mentioned that the neighborhood residents have expressed concern relative to a boarded up building in their midst. Mr. Pagliarini asked if the City's zoning requirements will allow the subject property to be utilized as a boarding house in this neighborhood. Mr. Pagliarini explained that as the State will no longer own the property, it will no longer have community residence status; thus, bringing into question whether the facility will be in compliance with local zoning requirements. Ms. Gadbois explained that Homestead intends to create individual suites within the main structure and indicated that the neighborhood currently allows multi-unit/multi-family dwellings on Gaskill Street.

Therefore, Homestead is optimistic that the City will deem this multi-unit dwelling no different than the existing multi-unit/family dwellings. Mr. Woolley asked how Homestead will determine who is eligible to reside within the facility. Ms. Gadbois stated that Homestead is pursuing HUD funding for the renovation of the property. Ms. Gadbois explained that if Homestead receives the grant funding then it will be somewhat restricted as to how the property is advertised and made accessible to individuals with disabilities. In the event Homestead is unable to obtain the grant and uses its own funding, as it is committed to do, then Homestead will be more directed toward the population it is currently serving, which are individuals with developmental disabilities in the northern Rhode Island area. Director Stenning indicated that the Department's past practice has been to include language in the purchase and sale contract, which stipulates that the use of the property must continue to serve individuals with either developmental disabilities or mental health issues. Mr. Kay asked if individuals receiving Section 8 benefits will be permitted to reside within the facility. Ms. Gadbois indicated that if Homestead is successful in obtaining the HUD grant then individuals receiving Section 8 benefits would be accepted. However, the very definition of the grant stipulates that it be utilized for individuals who are considered low-income and have disabilities. Chairman Flynn stated that it is his understanding that the State Properties Committee previously approved the sale of the subject property to the Homestead Group and then said approval was later rescinded. However, this transpired prior to his appointment as

Chairman of the State Properties Committee, but he is vaguely aware of the circumstances involved. Chairman Flynn indicated that he is trying to determine what occurred to prompt the initial approval and the subsequent withdrawal of said approval. Director Stenning stated that a previous Director of the Department adopted a puritanical vision that was not supported by the Budget Office, House Finance or the State Properties Committee. The Director then purposely derailed this project in the hopes that the property would be placed into a housing trust that she was attempting to establish at the time. However, said housing trust never came to fruition due to the objections of the Governor's Office and/or the Budget Office and the opportunity to dispose of the property was lost. Chairman Flynn thanked Director Stenning for his explanation, but recalled that there was a proposal, which involved a method of compensating the State while failing to recognize standard procedures established the Budget Office. Director Stenning stated it was actually Chris Stevens of the Arc of Northern Rhode Island who presented a very complicated plan involving a ten (10) year depreciation formula. Mr. Griffith recalled that the State Properties Committee objected to said plan, which would have allocated the proceeds from the sale of the subject property to be reinvested into the Department's "housing trust" as opposed to being assigned to the State of Rhode Island's General Fund. Mr. Griffith clarified that said allocation plan was clearly the reason for the Committee rescinding its initial approval to sell the subject property. Mr. Griffith indicated that the Committee determined that the plan was effectively subverting the allocation

process and therefore, could not move forward. Chairman Flynn again thanked Director Stenning and Mr. Griffith for their clarification of the Committee's previously rescinded approval. However, Chairman Flynn stated that regardless of what may have transpired earlier, he was unable to locate anything in the package recently provided to the Committee relative to the existence a of current offer from Homestead to purchase the property. Director Stenning indicated that the proposal before the Committee is based upon an assumption that the value of the property in its current condition is considerably less than the amount of money that Homestead will expend to renovate said property. Mr. Pagliarini asked if the Department is comfortable with the conveyance of the property to Homestead, without the benefit of a Request for Proposals process or even a sole source sale. Mr. Grenon indicated that the Department has already thoroughly investigated both those options and all attempts to sell the subject property proved fruitless. To clarify the current condition of the building, Mr. Grenon indicated that at this time protective hazardous suits must be worn to simply enter the structure. Chairman Flynn explained that the Committee's questions are not intended to address the end result of granting approval of the Department's request, but rather to address the means to the end. Further, Chairman Flynn questioned whether the Committee even has the authority to approve a transfer of the subject property absent some sort of process. Chairman Flynn indicated that he was not one hundred (100%) percent clear as to what the Department was actually requesting until today's presentation and subsequent discussion

regarding this matter. Chairman Flynn noted that the Committee has granted requests to transfer property between State-agencies, but again, he is unsure whether the Committee has the authority to transfer the property to a private entity without some sort of process. Chairman Flynn believes it may be prudent to put the property out to bid once again. Chairman Flynn stated that he fully understands the condition of the building and the liability created by delaying the disposition of said property; however, the State Properties Committee is charged with ensuring that proper protocol is followed relative to the conveyance of State-owned property and that said conveyance is in the best interest of the State of Rhode Island. Mr. Grenon explained that the reason the Department chose this particular approach to dispose of the property is because the Department has already exhausted all available methods without success. Further, Mr. Grenon indicated that time is of the essence because the deadline to submit an application for the HUD grant is November 14, 2009, as well as ensuring that the necessary renovations are completed before the start of the winter season. Mr. Pagliarini asked what the specifications of the previous request for proposals were. Mr. Grenon indicated that it was an open bid; had someone bid \$1.00, they would have been the successful candidate. Chairman Flynn stated that in all fairness to the Department, as an appraisal of the property was conducted and a bid package issued without a single response, a reasonable person may deduce that there is no public interest regarding the sale of the subject property. Ms. Gadbois indicated that the cost to demolish the building will be just under

\$40,000 and the expense to renovate the property to include six (6) units suitable for habitation is approximately \$300,000. Mr. Woolley asked when the request for proposals (the “RFP”) was issued. Mr. Grenon indicated that the RFP was issued on March 15, 2008. Mr. Griffith asked whether Homestead must have control of the property in order to pursue the HUD grant. Ms. Gadbois explained that documentation evidencing Homestead’s control of the property must be included with the grant application. Mr. Pagliarini made a motion to approve the Department’s request to transfer the subject property to the Homestead Group due to the uniqueness of the circumstances involved; including the fact that a request for proposals was issued, the deadline to submit the HUD grant application is quickly approaching and the opportunity to apply for the same comes just once per year and due to the fact that the Department wishes to minimize the State’s exposure and dispose of the subject property prior to the onset of the winter season. Lastly, Mr. Pagliarini stated that said approval is subject to Director Stenning ensuring that the individuals belonging to proper population are the only tenants allowed to occupy the subject property. Said motion was seconded by Mr. Kay.

Mr. Woolley indicated that in order to make that a condition of the approval to transfer the property, the final document(s) must include some sort of a reverter clause. Mr. Pagliarini stated that he will amend his motion to approve the transfer of the property subject to the appropriate reverter clause being included in the final document(s). Mr. Kay seconded said amended motion.

Passed Unanimously

ITEM D – Department of Administration – A request was made for approval of and signatures on a Grant of Easement by and between the Department of Administration, on behalf of the Rhode Island School for the Deaf, and National Grid for the installation of electrical service at One Corliss Park in the City of Providence. Chairman Flynn stated that as no representative of the Department of Administration is present, perhaps said request should be deferred to a future meeting of the State Properties Committee. Mr. Pagliarini indicate that after reviewing the documents and submission memorandum regarding this request, he is confident that said request is a standard Grant of Easement and is comfortable and willing to make a motion to approve the Department's request without the benefit of a formal presentation. Said motion was seconded by Mr. Woolley.

Passed Unanimously

There being no further business to come before the State Properties Committee, the meeting was adjourned at 10:56 a.m. A motion was made to adjourn by Mr. Griffith and seconded by Mr. Woolley.

Passed Unanimously

Holly H. Rhodes, Executive Secretary
State Properties Committee